

**SPECTROTEL, INC.**

**BALANCE SHEET**

**DECEMBER 31, 2003**

**PRELIMINARY AND UNAUDITED**

**ASSETS**

Current assets

Cash and cash equivalents	\$	1,132,355
Accounts receivable, net		1,016,360
Unbilled revenue		339,255
Prepaid expenses and other current assets		217,863
Total current assets		<u>2,705,833</u>

Property and equipment, net		767,038
Restricted cash		750,000
Deferred expenses, net		<u>109,545</u>

Total assets	\$	<u>4,332,416</u>
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**LIABILITIES AND EQUITY**

Current liabilities

Accounts payable and accrued liabilities	\$	2,020,088
Capital lease and note payable		97,312
Deferred revenue		199,172
Total current liabilities		<u>2,316,572</u>

Liabilities subject to compromise		<u>1,714,482</u>
Total liabilities		<u>4,031,054</u>

Equity

Common stock - 3,000,000 shares authorized;		
1,000,000 shares issued and outstanding - stated at par		1,000
Additional paid-in-capital		250,830
Retained earnings		49,532
Total equity		<u>301,362</u>

Total liabilities and equity	\$	<u>4,332,416</u>
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Atty. General  
Witness: *Adrian Power*  
Date: 3/15/04 Rep: *IT*

**SPECTROTEL, INC.**

**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

**FOR THE PERIOD DECEMBER 31, 2003**

**PRELIMINARY AND UNAUDITED**

Revenues	\$ 16,774,918
Operating expenses	
Network costs	8,486,938
Selling, general and administrative	7,255,264
Depreciation and amortization	130,880
Total operating expenses	<u>15,873,082</u>
Income from operations	901,836
Other Income and Expense	<u>(983,184)</u>
Income before provision for income taxes	<u>(81,348)</u>
Net income	\$ <u>(81,348)</u>
Retained earnings – beginning of period	<u>130,880</u>
Retained earnings – end of period	\$ <u><u>49,532</u></u>

**SPECTROTEL, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE PERIOD ENDING DECEMBER 31, 2003**

**PRELIMINARY AND UNAUDITED**

**Cash flows from operating activities**

Net income	\$	(81,348)
Adjustments to reconcile net income to net cash provided by by operating activities:		
Changes in assets and liabilities:		
Accounts receivable, net		1,046,816
Prepaid expenses and other current assets		8,532
Accounts payable and accrued liabilities		<u>445,548</u>
<b>Net cash provided by operating activities</b>		<u><u>1,419,548</u></u>

**Cash flows from investing activities**

Purchases of property and equipment		<u>(228,796)</u>
<b>Net cash used in investing activities</b>		<u><u>(228,796)</u></u>

**Cash flows from financing activities**

Insurance loan		(6,685)
Payments on capital lease obligations		13,134
Cash payments on liabilities subject to compromise		<u>(262,897)</u>
<b>Net cash used in financing activities</b>		<u><u>(256,448)</u></u>

Net decrease in cash and cash equivalents		934,304
Cash and cash equivalents – beginning of period		<u>198,137</u>
Cash and cash equivalents – end of period	\$	<u><u>1,132,441</u></u>